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DIA & DOS review(s) completed.



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GENERAL

1. Proposed French-US base negotiations--The State Department has requested US Ambassador Caffery to inform the French Foreign Office that, in response to its note of 28 November, the US would "welcome the opportunity" to hold "comprehensive conversations" in Paris as early as 15 January regarding US base rights in France and French overseas territory.
2. Danish Airlines reported to prefer non-reciprocal agreement--US Legation Stockholm reports that, [redacted] the Danish Government is being pressed by the head of Danish Airlines to accept a non-reciprocal agreement with the USSR because traffic benefits to be gained would far outweigh the political advantages of a fully reciprocal agreement. (A traffic benefit to the Danes is suggested in a report transmitted by Embassy Stockholm on 4 September that the Soviets might make the Danish Airlines their agent for westbound Soviet traffic beyond Copenhagen.)
3. Argentine-Chilean trade formula to be extended--US Ambassador Cooper in Peru has been told by Haya de la Torre, leader of Peru's powerful anti-Communist APRA party, that the recent Argentine-Chilean trade treaty marks Chile's entry into a Communist-oriented South American bloc and that he will oppose a similar treaty between Argentina and Peru. Cooper adds that President Gonzalez Videla of Chile told US Senator Brewster that the Argentine-Chilean "economic formula" will be extended to Peru, Brazil, and Bolivia. According to Cooper, some Peruvians favor seeking "substantial" loans from Argentina. (CIG Comment: The charge that the potential southern bloc would be "Communist-oriented" conflicts with all available evidence regarding the character of the Peron regime. However, the Chilean Communists are enthusiastic supporters of the new treaty on the grounds that it withdraws Chile from the US "imperialist" orbit.)
4. Argentina seeks customs union with Bolivia--US Embassy La Paz recommends that the US supply Bolivia with essential foodstuffs to enable that country to bargain without being subjected to the pressure of a probable Argentine withholding of food exports. According to the Bolivian Sub-Secretary of Foreign Affairs, Argentina has requested

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an overall trade treaty and customs union, while the Argentine Ambassador has suggested that, in the absence of such a treaty, shortage of rolling stock will preclude exports to Bolivia after 1 January 1947.

EUROPE

5. **FRANCE:** Possible change in MRP tactics toward Communists--A high MRP official has told US Ambassador Caffery that the MRP will be obliged to give the appearance of moving to the left and of being prepared to make concessions to the Communists. This maneuver was, the official said, necessitated by Communist propaganda claims (made plausible by past MRP tactical errors) that the MRP is reactionary. Caffery feels that, while the MRP leaders know the Communists are their "deadly enemies", they do not yet feel the time is ripe for an open break.

Reduction of military budget--US Military Attache Paris feels that the appointment of Andre Le Troquer as Minister of National Defense is indicative that a sizeable reduction will be made in the budget for the French armed forces. The MA believes that such a reduction would present the French Army with serious problems, especially regarding strength, organization, and efficiency.

6. **SPAIN:** Reported British political consultations--US Charge Madrid reports that the British Ambassador is "most annoyed" at a UP dispatch from London that British diplomats in Madrid have been consulting Spanish political leaders regarding the formation of an interim government to replace Franco. The Charge believes that (a) "certain meetings between alleged representatives" of various political factions have taken place in the British Embassy and (b) the UK Ambassador may in fact have tried to play a part "in an effort to form a united moderate front against Franco."

7. **ITALY:** Italian Premier to visit US--US Charge Rome reports that Premier De Gasperi plans to leave for the US on 3 January.

8. **GREECE:** US concurs in urgent need for arms--The State Department concurs with Ambassador Mac Veagh as to the urgency of providing the Greek Army with adequate equipment. [REDACTED]

[REDACTED] The Department, in view of Foreign Minister [REDACTED]

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Bevin's agreement that the UK has primary responsibility to supply combat arms to Greece, has requested Embassy London to ascertain to what extent Britain will be able to supply Greece's needs.

NEAR EAST-AFRICA

9. IRAN: Qavam sees useful weapon in Soviet fear of UN--Premier Qavam has told US Ambassador Allen that the Soviets were especially annoyed by his notifying the Security Council (on 6 December) of Soviet representations regarding the dispatch of Iranian troops to Azerbaijan. Qavam considers "Soviet fear of the Council a useful weapon with which he may be able to prevent undue Soviet pressure in the future."